

Message Text

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15

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TO SECSTATE WASHDC 54

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E.O. 11652: N/A

TAGS: EIND, EINV, NZ

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

THE UPDATED FOREIGN INVESTMENT STATEMENT AND STATISTICS FOLLOW:

"IN NEW ZEALAND FOREIGN INVESTMENT IS WELCOME IF IT CONTRIBUTES TO THE DEVELOPMENT OF NEW ZEALAND'S NATURAL RESOURCES AND HUMAN SKILLS TO THE BENEFIT OF THE COUNTRY AND PRESERVES A SOCIAL AND PHYSICAL ENVIRONMENT WHICH PROMOTES WELL-BEING OF ALL NEW ZEALANDERS.

"POLITICAL STABILITY, AN EDUCATED AND INDUSTRIOUS POPULATION AND A SOUND ECONOMY MAKE A GOOD INVESTMENT CLIMATE. THERE IS NO OFFICIAL BIAS, AND LITTLE PUBLIC BIAS, AGAINST AMERICAN INVESTMENT. HOWEVER, INVESTMENT BY A LARGE MULTINATIONAL COMPANY COULD INCUR PUBLIC CRITICISM ESPECIALLY IF THE INVESTMENT INVOLVES THE TAKEOVER OF A LOCAL FIRM.

"CRITERIA FOR APPROVAL OF FOREIGN INVESTMENT PROPOSALS INCLUDE, ACCESS TO NEW TECHNOLOGY AND RESEARCH AND EXPORT MARKETS; CONTRIBUTION TO INDUSTRIAL GROWTH, EFFICIENCY AND PRODUCTIVITY;

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IMPACT ON COMPETITIVENESS; EFFECT ON THE BALANCE OF PAYMENTS;

EXTENT OF LOCAL PARTICIPATION; EFFECT ON EMPLOYMENT; AND CONTRIBUTION TO REGIONAL DEVELOPMENT. SUBSTANTIAL BENEFITS TO THE NEW ZEALAND ECONOMY MUST BE DEMONSTRATED FOR A TAKEOVER OF A LOCAL FIRM. NEW REGULATIONS CAME INTO EFFECT IN MAY 1974 EXTENDING THE PROVISIONS OF EXISTING LAWS AND REGULATIONS FOR FOREIGN INVESTMENT.

"IMPORT LICENSING AND HIGH DUTIES PROTECT DOMESTIC INDUSTRIES. THE NEW ZEALAND - AUSTRALIA FREE TRADE AGREEMENT ALLOWS FREE ENTRY INTO AUSTRALIA OF CERTAIN PRODUCTS THUS ENCOURAGING THEIR MANUFACTURE IN NEW ZEALAND FOR THE AUSTRALIAN MARKET. TAX INCENTIVES ENCOURAGE RESEARCH, NEW PLANT, EXPORT PROMOTION AND TOURIST PROMOTION AND ACCOMMODATION. SPECIAL INCENTIVES ENCOURAGE REGIONAL DEVELOPMENT. NEW ZEALAND HAS A DOUBLE TAXATION AGREEMENT WITH THE U.S. THOUGH THERE ARE PRICE AND WAGE CONTROLS, INFLATION IN 1974-75 REACHED 15 PER CENT. UNEMPLOYMENT IS VERY LOW.

"GOVERNMENT APPROVAL IS NEEDED TO FORM A COMPANY 25 PERCENT OR MORE FOREIGN OWNED. RAISING FUNDS OR ACQUIRING LAND IN NEW ZEALAND BY FOREIGN OWNED COMPANIES IS RESTRICTED. CAPITAL REPATRIATION AND PROFITS REMITTANCE, THOUGH SUBJECT TO CONTROL, ARE FREELY ALLOWED IN PRACTICE. INCORPORATED SUBSIDIARIES OF OVERSEAS COMPANIES PAY A 15 PER CENT WITHHOLDING TAX ON INTEREST AND DIVIDENDS PAID TO THE OVERSEAS PARENT.

"A NEW OVERSEAS INVESTMENT ACT ESTABLISHED A COMMISSION TO EXAMINE FOREIGN INVESTMENT PROPOSALS.

" A PROPOSED FAR-REACHING COMMERCE LAW WILL CONSOLIDATE AND UPDATE TRADE PRACTICES AND PRICE CONTROL LEGISLATION. CERTAIN PROVISIONS ESPECIALLY ON CONTROL OF MONOPOLIES, MERGERS AND TAKEOVERS MAY INFLUENCE FOREIGN INVESTMENT PROPOSALS."

PRIVATE DIRECT INVESTMENT (\$MILLIONS)

1. ESTIMATED U.S. DIRECT INVESTMENT AT THE END OF 1974 (BOOK VALUE IN MILLIONS): TOTAL: 375; MINING AND SMELTING 3; MANUFACTURING (INCLUDING PETROLEUM) 189; OTHER 177.

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2. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS 1974
FIGURES NOT AVAILABLE. PROBABLY ABOUT US\$1 MILLION, CONSISTING SOLELY OF INVESTMENT IN SALES AND DEVELOPMENT OFFICES OF NEW ZEALAND FIRMS OPERATING IN THE U.S.

3. ESTIMATED DIRECT INVESTMENT BY ALL COUNTRIES 1974:

GOOK VALUE AT YEAR END	US DOLS
A. TOTAL, INCLUDING U.S.	1960
OTHER COUNTRIES:	
(I) UNITED KINGDOM	787'
(II) AUSTRALIA	580'
(III) JAPAN	93

'INCLUDES FIRMS CONTROLLED BY U.S. PARENTS THROUGH AUSTRALIA AND UNITED KINGDOM SUBSIDIARIES.

THE GOVERNMENT OF NEW ZEALAND DOES NOT PUBLISH 'COMULATIVE STATISTICS ON OREIGN INVESTMENT. IT PUBLISHES STATISTICS ON "INVESTMENT CHANGES ON FIRMS RESIDENT IN NEW ZEALAND AND CONTROLLED FROM OVERSEAS IRRESPECTIVE OF THEIR LEGAL ORGANIZATION." THESE FIGURES HAVE BEEN MAINTAINED SINCE FISCAL YEAR 1960-61. FOR THIS REASON, COMPARISON OF THE ABOVE FIGURES WITH THOSE FROM ANOTHER SOURCE (I.E. SURVEY OF CURRENT BUSINESS) IS EXCEEDINGLY DIFFICULT.

THE ABOVE STATEMEN AND STATISTICS REFLECT THE CURRENT INVESTMENT CLIMATE. FOR DETAILS ON THE NEW REGULATIONS ON FOREIGN INVESTMENT IN NEW ZEALAND WHICH CAME INTO EFFECT IN MAY 1974, SEE WELLINGTON'S A-69 DATED JUNE 6, 1974. SELDEN

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